

Employer UPDATE

A PUBLICATION OF THE ARIZONA STATE RETIREMENT SYSTEM

January 2003

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Arizona State Retirement System

www.asrs.state.az.us

Arizona Legislature

www.azleg.state.az.us

Social Security Online

www.ssa.gov

Internal Revenue Service

www.irs.gov

State of Arizona

www.az.gov

Medicare

www.Medicare.gov

ASRS Board Announces Increase in Pension Plan Contribution Rates

The Arizona State Retirement System has announced the contribution rate for fiscal 2003-04 will be 5.70 percent each for employees and employers.

The ASRS Board voted to accept their actuary's annual valuation that sets a pension contribution rate of 5.20%, up from the current rate of 2.00%, and a Long Term Disability rate of 0.50%, a slight increase from the current 0.49%. That brings the contribution match rate (for employer and employee) to 5.70%.

(An ASRS Information Bulletin was sent to member and employer designated representatives, via email and U.S. mail on Dec. 2. If you would like to see the bulletin, visit our website at www.asrs.state.az.us)

The Board decision came at its November 15 meeting. The new rates, subject to final approval by the State Legislature, are to take effect July 1, 2003.

Contribution rates for the ASRS are actuarially determined based on fund liabilities (benefits and member demographics), assets and investment returns. Changes in investment returns and retirement benefits can dramatically affect contribution rates. However, any time the Fund earns less than the actuarially assumed rate of return of 8%, or if retirement benefits are increased, there is upward pressure on contribution rates.

Two consecutive years of lower than expected investment returns, coupled with enhanced retirement benefits adopted by the Legislature in 2001, led to the contribution rate adjustment for fiscal 2003-04.

New Enrollment Form clears up multiple employers question

The ASRS form used by employers to enroll employees in the retirement system has been modified. An additional question on the new form asks: "Are you currently employed with another ASRS employer?"

The question was added at the suggestion of many employers, who said they often encounter difficulties in determining whether they should take out contributions from a worker's salary when they have a second employer. This new question should raise a flag and trigger further inquiry with the employee. As always, if you have any questions on such matters, call Employer Relations.

Also new: the form has been reduced to a single copy, rather than a 3-copy carbon. This change was made because of difficulties in reading the second and third copy. So, be sure when the form is completed that a copy is made for the employee, another for the employer's record, and the **original** is sent to the ASRS.

Do we have your correct contact information?

The ASRS is updating its records of member employers. Do we have the proper contact name and information for your organization?

Over the past several months, the ASRS Employer Relations division conducted fourteen meetings across the state for employers. If you attended one of those meetings and filled out an updated Employer Data Sheet, thank you! If you haven't provided updated contact information to the ASRS within the past year, please do. We want to keep you informed!

Send us your organization's contact name, phone number, fax number and email address to: ritaj@asrs.state.az.us or by mail to:

Arizona State Retirement System
Att: Rita Johnson
3300 N. Central Ave., suite 1400
Phoenix, AZ 85012

Speaking of correct contact information . . .

Be sure to let your employees know that if they have a change of address, name, phone number or other important information change, that they inform the ASRS.

The ASRS recently mailed out 2002 annual statements. Each time we have such a mailing, a number of pieces are returned because of an incorrect address. When this happens, the statement is mailed to the employer. Help us avoid this confusion by ensuring that your employees keep the ASRS updated with the correct information!

Employees who have such changes can call the ASRS at (602) 240-2000 in metro Phoenix, (520) 239-3100 in the Tucson area, or (800) 621-3778 statewide.

Employer News Briefs

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N. Carl Tenney
Town of Chino Valley,
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Tell us what you think!

ASRS TO UPDATE WEBSITE

The Arizona State Retirement System, in a continuing effort to improve communications with its members, is in the process of reviewing and updating the agency's website.

The site, expected to be unveiled in February or March, will feature a new look, with easier-to-navigate categories.

News, reports, a benefit calculator, financial information and a frequently asked question section are included on the current site and will be carried over to the new site.

Future plans call for a more interactive site where members can securely view account information.

In the meantime, the ASRS would like to hear from those who visit the site. If you have suggestions or comments on the current site, or ideas of what you'd like to see on the new site, let us know!

You can email comments via the website, www.asrs.state.az.us. Just click on "Contact Us" at the header of each page, and choose the "Web Response Team" link at the bottom of the page.

Social Security announces 1.4% increase

Monthly Social Security and Supplemental Security Income (SSI) benefits to more than 50 million Americans will increase 1.4 percent in 2003, the Social Security Administration has announced today.

The 1.4 percent increase will begin with benefits that 46 million Social Security beneficiaries receive in January 2003. Increased payments to 7 million SSI beneficiaries will begin on December 31.

Social Security and SSI benefits increase automatically each year based on the rise in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from the third quarter of the prior year to the corresponding period of the current year. This year's increase in the CPI-W was 1.4 percent.

Additional changes that take effect in January of each year are based on the increase in average wages. Based on that increase, the maximum amount of earnings subject to the Social Security tax (taxable maximum) will increase to \$87,000 in 2003 from \$84,900 in 2002.

As a result of the increase in the taxable maximum in 2003, the maximum yearly Social Security tax paid by employees and employers will increase by \$130.20 each for a total of \$5,394. For self-employed workers, it will rise by \$260.40 to a total of \$10,788. Of the approximately 155 million workers who pay Social Security taxes, about 9.7 million are affected by the higher wage base in 2003.

What a difference a day makes! **Termination date vs. Retirement date**

Did you know there is a difference between a new retiree's termination and retirement date?

Many employers today assist an employee with their retirement paperwork and may not be aware of the difference the date selected for retirement can make. First off, the termination date and retirement date cannot be the same day. An employee must terminate employment at least one day before the date they officially retire.

Secondly, selecting that date can have a dramatic effect on when the new retiree receives their first retirement check.

Here are two examples:

Example 1: Termination date – October 31
Retirement date – November 1
First pension check – December 10 -15

Example 2: Termination date – October 31
Retirement date – November 2
First pension check – January 10 -15

You can see that by changing the retirement date by just one day can push the retiree's first pension check forward by one full month and may affect health insurance coverage.

An ASRS Benefits Advisor can assist you and the new retiree in determining the most advantageous date for retirement. Just call Member Services and ask for a Benefit Advisor!

WWW.ASRS.STATE.AZ.US

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